
**Technology, Energy &
Communications Committee**

HB 1211

Brief Description: Providing sales and use tax exemptions for solar hot water components.

Sponsors: Representatives Chase, Morris, Upthegrove, Wallace, Kagi, McCune, Moeller, Dunn, Linville and Morrell.

Brief Summary of Bill

- Exempts solar hot water heating components from retail sales and use taxes.

Hearing Date: 1/24/07

Staff: Scott Richards (786-7156).

Background:

Solar hot water heaters use the sun to heat either water or a heat-transfer fluid in collectors. The U.S. Department of Energy estimates that a typical solar hot water system will reduce the need for conventional water heating by about two-thirds.

Retail Sales and Use Taxes

The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax applies if retail sales tax has not been collected. Both the state and local governments impose sales and use taxes; the state rate is 6.5 percent and the average local rate is 2 percent statewide. Sales taxes are collected by the seller from the buyer at the time of sale. Use tax is remitted directly to the Department of Revenue. State sales tax and use tax revenues are deposited in the State General Fund.

All items or services sold or acquired at retail are subject to the retail sales and use taxes unless specifically exempt.

Sales and Use Tax Exemption for Solar Hot Water Equipment

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Currently, Washington law provides for a sales and use tax exemption for solar hot water heating equipment. The following equipment is exempt from state and local retail sales and use taxes:

- OG-300 rated solar water heating systems;
- OG-100 rated solar water heating collectors;
- solar heat exchangers; and
- differential solar controllers.

Also exempt from sales and use taxes are repair and replacement parts for such equipment and sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such equipment.

The sales and use tax exemption for solar hot water heating equipment expires on July 1, 2009.

Solar Rating and Certification Corporation Standards

The Solar Rating and Certification Corporation (SRCC) is a non-profit organization whose primary purpose is the development and implementation of certification programs and national rating standards for solar energy equipment. The SRCC is an independent third-party certification entity.

The SRCC operates three solar certification programs: collector certification (OG 100), water heating system certification (OG 300), and a certification program for solar swimming pool heating systems (OG 400). The collector certification program (OG 100) applies to that part of a solar energy system which is exposed to the sun and collects the sun's heat. The solar water heating system certification program (OG 300) deals with the entire solar system (collectors, controls, storage tanks, heat exchangers, pumps, etc.) used to heat domestic hot water using the sun.

Summary of Bill:

Solar hot water heating components are exempt from state and local retail sales and use taxes.

Also, exempt from sales and use taxes are repair and replacement parts for such components and sales of or charges made for labor and services rendered in respect to installing, repairing, cleaning, altering, or improving such components.

A person taking the sales and use tax exemption must keep records necessary for the Department of Revenue to verify eligibility. This exemption is available only when the buyer provides the seller with an exemption certificate in a form and manner prescribed by the Department of Revenue. The seller shall retain a copy of the certificate for the seller's files.

The sales and use tax exemption for solar hot water heater components takes effect July 1, 2007, and expires on July 1, 2009.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.